

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 H-02 IO-13 L-03 /096 W
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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 8889
INFO AMEMBASSY JIDDA
AMEMBASSY KUWAIT

C O N F I D E N T I A L CAIRO 15762

E. O. 11652: GDS

TAGS: EAID, EFIN, EG

SUBJECT: ASSISTANCE TO EGYPT: GODE LOAN BACK ON TRACK

REF: CAIRO 15648

1. IN EFFORT TO GET GODE-GUARANTEED \$250 MILLION LOAN BACK INTO POSITION FOR IMPLEMENTATION BY CHASE MANHATTAN, ECONCOUN SPOKE TO MINECON EL SAYEH ON SUBJECT AT NOV. 13 RECEPTION FOR CODEL RIBICOFF/BAKER. SAYEH, WHO WAS ALREADY FULLY BRIEFED ON THE ISSUE, TOOK AMBASSADOR ASIDE TO REPORT HIS BELIEF THAT ABU ISMAIL'S ACTION HAD BEEN "STUPID", AND THAT GOE HAD EVERY INTENTION OF GOING WITH CHASE.

2. SAYEH SAID HE HAD ALREADY MET WITH REPS OF ARAB INVESTMENT COMPANY (AIC) WHO HAD BEEN GIVEN THIS INFORMATION. ANOTHER MEETING IS PLANNED FOR NOV. 17, BUT SAYEH ASSURED AMBASSADOR THAT AIC OFFER WILL NOT BE ACCEPTED.

3. ON NOV. 14 RICHEY MET WITH DEPPM KAYSOUNI
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AND SAYEH TO DISCUSS SITUATION. MEETING WAS REPORTEDLY

VERY OPEN, FRIENDLY, FOCUSING ON FACT THAT GOE
HAD RECEIVED A BETTER OFFER AND IT WAS THEREFORE
APPROPRIATE FOR CHASE TO MAKE A GESTURE IN
RECOGNITION OF THE FACT. GESTURE INVOLVED INTO
REDUCTION IN INTEREST RATE FOR LOAN BY ONE-EIGHT
OF ONE PERCENT MAKING NEW RATE ONE AND ONE-EIGHT
OVER LONDON INTER-BANK. ON MORNING OF 15TH, HAVING
REWRITTEN APPROPRIATE PARTS OF DOCUMENTATION, CHASE
REPS GOT KAYSOUNI TO SIGN APPROVAL FOR PROJECTED
UNDERTAKING AND SEND A TELEX TO AL-KHAIL STATING
THAT TEAM OF CHASE AND CENTRAL BANK PEOPLE WILL
ARRIVE IN RIYADH ON 16TH TO WRAP EVERYTHING UP.

4. COMMENT. THREE POINTS OF INTEREST APPEAR OUT
OF FOREGOING. A. DESPITE ALL THEIR EARLIER DISCLAIMERS
THAT IT COULDN'T BE DONE, CHASE HAS LOWERED THE
INTEREST RATE. REPS STATE THIS IS NOW POSSIBLE BECAUSE
OF BRAND NEW CIRCUMSTANCES IN MONEY MARKET.
WHETHER OR NOT THIS IS TRUE, EGYPTIANS
HAVE AGAIN BEEN TAUGHT THAT IT PAYS TO HAGGLE.

B. KAYSOUNI TEAM CAN MOVE QUICKLY. EVEN KEEPING
IN MIND FACT THAT GROUNDWORK HAD PERHAPS BEEN LAID
BY ABU ISMAIL, RESPONSE AND MOVEMENT THAT FOLLOWED
AGREEMENT ON INTEREST IS IMPRESSIVE. C. THE LOAN IS ONCE
AGAIN ON TRACK. ALLOWING FOR CHASE'S EARLIER
TIMETABLE IT IS THEREFORE POSSIBLE EGYPT WILL
HAVE ACCESS TO A TOTAL OF \$500 MILLION (GUARANTEED
LOAN AND DIRECT LOAN) FROM GODE WITHIN THE NEXT
SEVERAL WEEKS. THIS IS IMPORTANT SINCE IMF
FORECASTS CONTINUE TO LIST THIS AS THE SINE QUA NON
FOR MAKING IT THROUGH TO JANUARY 1.
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